



PREPROPOSAL STATEMENT OF INQUIRY

CR-101 (June 2004)

(Implements RCW 34.05.310)

Do **NOT** use for expedited rule making

Agency: Office of Insurance Commissioner

Subject of possible rule making: The Commissioner is considering adopting rules concerning property and casualty insurance rate cap rules, transition rating rules, rate stability formulas, and other rating methods. The rules may:

1. Specify situations in which these rules, formulas and other rating methods would or would not result in rates that are unfairly discriminatory;
2. Clarify the meaning of RCW 48.19.040 as it applies to these rules, formulas and other rating methods and the rate manuals which they involve; and
3. Establish processes and procedures that insurers must use when implementing rate cap rules, transition rating rules, rate stability formulas, and other rating methods.

Insurance Commissioner Matter No. R 2009-17

Statutes authorizing the agency to adopt rules on this subject: RCW 48.02.060

Reasons why rules on this subject may be needed and what they might accomplish: Using advanced information technology and predictive modeling methods, property and casualty insurers are implementing increasingly sophisticated systems for calculating insurance premiums. When new rating factors are inserted into premium formulas and then applied to an existing book of business, many policyholders may see significant premium changes. To mitigate this effect, insurers often propose rating rules or formulas that reduce the magnitude of the premium changes for certain policyholders. These rating rules or formulas, however, may result in different premiums being charged to similarly situated policyholders, which may be contrary to RCW 48.18.480. A regulation could specify the situations in which these rating rules or formulas would or would not result in rates that are unfairly discriminatory. The regulation could also clarify how the requirements of RCW 48.19.040 apply to these situations. If such a regulation were adopted, the Commissioner would have objective standards by which to evaluate and approve or disapprove insurers' proposed rating rules or formulas, and consumers would be better protected from unfairly discriminatory rates.

Identify other federal and state agencies that regulate this subject and the process coordinating the rule with these agencies:
None

Process for developing new rule (check all that apply):

- ☐ Negotiated rule making
☐ Pilot rule making
☐ Agency study
☒ Other (describe) Submit written comments by: November 6, 2009 to:

Jim Tompkins
PO Box 40258
Olympia, WA 98504-0258
Email: jimt@oic.wa.gov
Fax: (360) 586-3109

How interested parties can participate in the decision to adopt the new rule and formulation of the proposed rule before publication:

(List names, addresses, telephone, fax numbers, and e-mail of persons to contact; describe meetings, other exchanges of information, etc.)

Jim Tompkins
PO Box 40258
Olympia, WA 98504-0258
Email: jimt@oic.wa.gov
Fax: (360) 586-3109

DATE
September 21, 2009

NAME (TYPE OR PRINT)
Mike Kreidler

SIGNATURE

TITLE
Insurance Commissioner

CODE REVISER USE ONLY

OFFICE OF THE CODE REVISER
STATE OF WASHINGTON
FILED

DATE: September 21, 2009
TIME: 11:18 AM

WSR 09-19-105